

Message Text

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ACTION NEA-10

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H-02 INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02

SS-15 USIA-06 FEA-01 AID-05 COME-00 EB-07 FRB-03

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R 140630Z MAR 76

FM AMEMBASSY ABU DHABI

TO SECSTATE WASHDC 4057

INFO AMEMBASSY DOHA

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY MANAMA

AMEMBASSY MUSCAT

C O N F I D E N T I A L SECTION 1 OF 2 ABU DHABI 0640

E.O. 11652: GDS

TAGS: OVIP (SIMON, WILLIAM E.)

SUBJ: VISIT OF SECRETARY SIMON--SUBSTANTIVE DISCUSSIONS

REF: (A) ABU DHABI 596 (B) ABU DHABI 592

1. SECRETARE OF TREASURY SIMON DURING HIS ONE-DAY VISIT TO ABU DHABI HAD THREE SUBSTANTIVE DISCUSSIONS MORNING MARCH 4 (FIRST, GROUP DISCUSSION RE FINANCIAL, DEVELOPMENT AND AID MATTERS; SECOND, AUDIENCE WITH SHAIKH ZAYED; AND THIRD, MEETING ON ENERGY MATTERS QITH MINPET OTAIBA). THESE WERE FOLLOWED BY LUNCHEON HOSTED BY MINISTER OF FINANCE SHAIKH HAMDAN FOR ALL MEMBERS OF PARTY AND CROSSG ECTION OF ABU DHABI BUSINESS/FINANCIAL COMMUNITY. PRIOR TO DEPARTURE SECRETARY SIMON HELD BRIEF PRESS CONFERENCE AND MADE SOCIAL CALL ON OTAIBA WHO WISHED RETURN HOSPITALITY EXTENDED TO HIM IN WASHINGTON. FOLLOWING IS REPORT ON FIRST OF MORNING MEETINGS. REPORT AND DISCUSSIONS WITH SHAIKH ZAYED AND OTAIBA AND HIGHLIGHTS OF PRESS CONFERENCE FOLLOW SEPTTEL.

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2. FIRST SESSION WAS GROUP MEETING LASTING ONE HOUR FORTY

MINUTES. ACCOMPANYING SECRETARY SIMON WERE PRESIDENTIAL ADVISER SEIDMAN, TREASURY ASST SECT PARKSY, COMMERCE ASST SECTY REED, DEPT DEPUTY ASST SECTY BILLER, AID SPECIAL ASST KENDRICK, TREASURY MIDDLE EAST AFFAIRS DIRECTOR AND DEPUTY NEWMAN AND WAHL, AND AMBASSADOR AND DCM FROM EMBASSY. UAEG SIDE CHAIRED BY MIN FINANCE SHAIKH HAMDAN AND INCLUDED MINSTATE FOR FINANCE HABROUSH; PRESIDENTIAL ADVISER PACHACHI; HASSAN ABBAS ZAKI, DIRECTOR ABU DHABI FUND FOR ARAB ECONOMIC DEVELOPMENT (ADFAED); UNDER SECTY MFA ABDULLA MAZRUI; NEWLY NAMED SECTY OF INVESTMENT BOARD GHANEM MAZRUI; PRESIDENTIAL INVESTMENT COUNSELOR ABDULLA DARWISH; MFA ECONOMIC ADRASER ADEL SHUKRI; AND PRESIDENTIAL PRESS ADVISER (ACTING AS INTERPRETOR) ZAKI NUSEIBI. SECRETARY SIMON OPENED SESSION BY STATING THAT USG ATTACHED GREAT IMPORTANCE TO STRENGTHENING ECONOMIC COOPERATION WITH UAE, NOTING THAT WE HAD MUCH EXPERIENCE, BOTH IN PRIVATE SECTOR AND WITHIN GOVERNMENT AND FELT THERE WERE NUMBER OF WAYS WE WOULD

BE ABLE ASSIST UAEG. BEFORE TURNING TO ASST SECRETARY PARSKY FOR GENERAL OVERVIEW, SECRETARY SIMON MENTIONED IN PARTICULAR PROGRAM OF REIMBURSABLE TECHNICAL ASSISTANCE WHICH HE DESCRIBED AS HEART OF USG EFFORT IN SAUDI ARABIA. HE NOTED PRESENCE OF KENDRICK ON DELEGATION AND FACT HE (KENDRICK) WOULD REMAIN BEHIND TO PURSUE FURTHER THIS EXTREMELY IMPORTANT AREA.

3. OVERVIEW--PARSKY NOTED THAT WE PURSURING TWO AVENUES TOWARD GREATER ECONOMIC COOPERATION IN MIDDLE EAST. (A) IN SOME CASES WE HAVE ESTABLISHED FORMAL PROCEDURES SUCH AS JOINT COMMISSION IN SAUDI ARABIA. UNDER THIS MECHANISM WE SOUGHT TO ACHIEVE TWO THINGS: FIRST, TO PROVIDE TECHNICAL EXPERTISE IN VARIOUS AREAS, BOTH FROM GOVERNMENT SOURCES AND PRIVATE SECTOR--ALL, OF COURSE, REIMBURSABLE; AND, SECOND, TO FACILITATE U.S. PRIVATE SECTOR INVOLVEMENT IN HOST COUNTRY DEVELOPMENT PROGRAM. (B) ALTERNATIVE WAS LESS FORMAL APPROACH. THIS MIGHT INVOLVE SOME LOOSE STRUCTURE SUCH AS HE, PARSKY, HAD OUTLINED IN RECENT LETTER TO MINPET OTAIBA (ABU DHABI 461 AND PREVIOUS). UNDER SUCH A FORMULA EMBASSY IN ABU DHABI WOULD BE MAJOR CHANNEL WHILE "WE IN WASHINGTON" WOULD MOBILIZE VARIOUS AGENCY EFFORTS, STATE, COMMERCE, EXIM, TREASURY ET AL. POINT WAS USG READY

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COOPERATE. WE ASSUME UAPG MIGHT PREFER LESS FORMAL SETUP BUT WE PREPARED DISCUSS. SHAIKH HAMDAN RESPONDED NOTING THAT UAE WELCOMED INCREASED COOPERATION AND THAT IN UAE, HAVING AS IT DOES FREE CAPITALIST SYSTEM, BOTH PRIVATE AND GOVERNMENT INVOLVEMENT WELCOMED. IN AREA OF TECHNICAL EXPERTISE, UAE RECOGNIZED THAT U.S. WAS LEADER AND HELP NEEDED IN NUMBER OF AREAS.

4. INVESTMENT POLICY--SECRETARY SIMON REITERATED U.S. BELIEF

IN STRONG FREE MARKET SYSTEM. WE WELCOMED INVESTMENT AND BELIEVED FEAR OF OPEC TAKEOVERS LARGELY DISSIPATED. IN FACT WE NEED OUTSIDE CAPITAL FOR OUR OWN DEVELOPMENT. SECRETARY ASKED FOR STATEMENT OF UAEG POLICY IN THIS AREA AND WHAT WE MIGHT DO TO ASSIST. HABROUSH RESPONDED THAT UAE ALREADY HAD MOST OF ITS INVESTMENTS IN U.S., SOME 63 PERCENT, REFLECTING FACT U.S. (A) HAD BIGGEST MARKET, (B) HAD FREE ECONOMIC SYSTEM AND (C) OFFERED BEST OPPORTUNITIES. UAE NOT SEEKING INVOLVEMENT IN SENSITIVE AREAS OR CONTROLLING INTEREST, JUST GOOD RETURN. IN SUBSEQUENT GIVE AND TAKE HABROUSH SAID MOST FUNDS INVESTED IN U.S. WERE IN EQUITY HOLDINGS; THAT WHILE REVENUES WILL BE AROUND \$4.5 BILLION IN 1976 THERE WOULD BE RELATIVELY LITTLE FOR FOREIGN INVESTMENT--MOST WOULD BE SPENT INTERNALLY OR GIVEN AWAY ABROAD; THAT UAEG HAD NOT YET REACHED DEGREE OF SOPHISTICATION WHERE IT CONCENTRATED ITS INVESTMENTS IN PARTICULAR SECTORS OR ON INDUSTRIES EXPORTING TO THIS AREA. PARSKY MENTIONED U.S. POLICY OF BEING PREPARED CONSULT IN ADVANCE ABOUT POSSIBLE MAJOR INVESTMENTS. HABROUSH, AS MENTIONED REF A, REITERATED COMMITMENT TO USE THIS OFFER AT SUCH TIME SUCH INVESTMENTS MIGHT BE CONTEMPLATED.

5. TECHNICAL ASSISTANCE--SECRETARY SIMON ASKED KENDRICK TO GIVE STATUS OF OUR PROGRAM IN REIMBURSABLE TECHNICAL ASSISTANCE. KENDRICK NOTED WE HAD HAD THIS CAPABILITY FOR SOME TIME, BUT ONLY IN 1975 HAD CONGRESS MADE FUNDS AVAILABLE TO PERMIT US PROMOTE IT. KENDRICK SAID WE CAN DRAW ON RESOURCES OF BOTH SOME 100 GOVERNMENT AGENCIES AS WELL AS TOTAL PRIVATE SECTOR. IN TIME HE HOPED TO HAVE REPRESENTATIVE IN GULF BUT IN MEANTIME EMBASSY WOULD SERVE AS CHANNEL TO GET REQUESTS FOR ASSISTANCE INTO WASHINGTON. KENDRICK SPECIFICALLY MENTIONED ARRIVAL OF BERGER TEAM FOLLOWING DAY WHICH WITH UAEG PERMISSION WOULD SEEK EXPLORE THIS AREA FURTHER. PACHAVD, ECHOING WELCOME EXPRESSED BY OTHERS ON UAE SIDE FOR EXPLORATION OF THIS FIELD, CONFIDENTIAL

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NOTED THERE ALREADY CONSIDERABLE COOPERATION WITH U.S. PRIVATE SECTOR IN TECHNICAL FIELDS--E.G. ADNOC. BOTH SECRETARY SIMON AND PARSKY WELCOMED THIS AND EXPRESSED WISH TO ENCOURAGE MORE OF SAME. AT SAME TIME THEY NOTED THERE WERE AREAS WHERE U.S. GOVERNMENT MIGHT HAVE BEST EXPERTISE OR COULD HELP IDENTIFY BEST SOURCES OF ASSISTANCE.

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ACTION NEA-10

INFO OCT-01 ISO-00 INT-05 CIAE-00 DODE-00 PM-04 H-02

INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15

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AMEMBASSY MANAMA

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C O N F I D E N T I A L SECTION 2 OF 2 ABU DHABI 0640

6. PARALLEL FINANCING--SECRETARY SIMON, NOTING INTEREST BOTH COUNTRIES HAD IN HELPING EASE BURDEN OF DEVELOPING COUNTRIES, SAID HE KNEW UAE TARGET OF MANY REQUESTS AND THAT UAEG MIGHT WELL HAVE DIFFICULTY IN SOME CASES IN MAKING EVALUATIONS. WITH OUR 30 YEARS EXPERIENCE WE IN POSITION TO HELP. SECRETARY ALSO NOTED WE WOULD LIKE TO COOPERATE WITH UAE TO DISCUSS JOINT VENTURES ON CASE-BY-CASE BASIS, SOMETHING WHICH WE FELT COULD BE MUTUALLY BENEFICIAL. HASSAN ABBAS ZAKI DESCRIBED ADFAED ACTIVITIES NOTING EXISTING COMMITMENTS OF \$250 MILLION TO BE DISBURSED OVER NEXT FOUR YEARS. HE EXPECTED ADDITIONAL \$50 MILLION IN COMMITMENT THIS YEAR WITH ACTUAL DISBURSEMENT IN 1976 PERHAPS TALLING \$80 MILLION. RE COOPERATION, ZAKI MENTIONED EXISTING JOINT EFFORTS WITH WORLD BANK AND BILATERALLY WITH SOME OTHER COUNTRIES. SAID FUND WELCOMED COOPERATION WITH USG ON CASE-BY-CASE BSIS, WITH BOTH SIDES FEELING FREE TO RAISE POSSIBILITIES TO OTHER. WHEN PARSKY SUGGESTED EARMARKING SPECIFIC SUM (HE CITED FIGURE OF
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\$100 MILLION) TO GIVE CONCRETE EVIDENCE OF EFFORTS TO AID DEVELOPING NATIONS, ZAKI REPLIED THIS WOULD BE DIFFICULT. IF DONE IN ONE INSTANCE, OTHERS WOULD REQUEST SIMILAR COMMITMENT

AND FUND WOULD FIND ITS OPTIONS LIMITED. SECRETARY SIMON THEN SAID SPECIFIC AMOUNT NOT CRITICAL; THERE WAS NO REASON TO TIE HANDS, INTENTION TO COOPERATE WAS THE KEY. IN RESPONSE TO AMBASSADOR'S QUERY, ZAKI NOTED THAT FUND NO LONGER LIMITING ITSELF TO ARAB WORLD, BUT FOCUS DID REMAIN LARGELY AFRICA AND ASIA (HABROUSH WRYLY NOTED "LATIN AMERICA IS YOURS"). ZAKI STATED THEY DID NOT WISH SPREAD SELVES TOO THIN.

7. TURNING TO ASSISTANCE OFFERED OUTSIDE SCOPE OF ADFAED, HABROUSH CITED GOVERNMENT'S IMPRESSIVE RECORD. AS PERCENTAGE OF REVENUES UAEG AID TOTALLED 19 PERCENT IN 74, 27 PERCENT IN 75, AND WAS ANTICIPAND TO BE 23 PERCENT IN 76 (HABROUSH NOTED LATTER FIGURE MIGHT BE HIGHER, WITH \$150 MILLION DONATED DURING RECENT CNIT OF SADAT PRESUMABLY BEING ONE OF POINTS HE HAD IN MIND). IF CALCULATED ON BASIS OF ACTUAL EXPENDITURES, HABROUSH SAID FIGURES WERE 41 PERCENT IN 74 AND 37 PERCENT IN 75--AND MUCH OF THIS WAS IN STRAIGHT GRANTS. BOTH SECRETARY SIMON AND PARSKY NOTED HOW IMPRESSIVE THESE FIGURES WERE AND SAID STORY SHOULD BE PUBLICIZED. IT WOULD VERY MUCH HELP UAE'S PUBLIC IMAGE IN OIL CONSUMER COUNTRIES. PACHACHI NOTED EFFORT HAD BEEN MADE TO TELL STORY BUT "WE HAVE SMALL VOICE." ON FINAL POINT, HABROUSH RESPONDED TO AMBASSADOR'S QUESTION BY STATING THAT UAE WOULD LIKE TO GIVE GREATER EMPHASIS TO AID THROUGH MULTILATERAL CHANNELS, BUT HE WAS RATHER VAGUE AS TO WHEN AND HOW THIS MIGHT OCCUR.

8. TRADE--SIMON, NOTING USG INTERST IN PROMOTING TRADE AND OUR DESIRE TO SET A TARGET FIGURE, ASKED COMMERCE ASST SECTY REED TO ADDRESS THIS ISSUE. REED CITED FIGURES REFLECTING MAJOR EXPANSION OF BILATERAL TRADE IN BOTH DIRECTIONS OVER PAST FEW YEARS. HE STATED U.S. WISHED TO REMAIN MAJOR TRADING PARTNER AND TO INCREASE ITS POSITION IF POSSIBLE. NOTING 1975 LEVEL OF U.S. EXPORTS AT \$370 MILLION HE SAID HE WOULD LIKE TO SEE TARGET SET FOR 1976 OF \$500 MILLION. HE THOUGHT THIS REALISTIC AND WE WOULD ENCOURAGE UAEG TO ESTABLISH SIMILAR TARGET FIGURE FOR ITS EXPORTS TO U.S. REED THEN DESCRIBED COMMERCE'S EFFORTS BOTH IN U.S. (FIELD OFFICE PROGRAMS) AND HERE (UPCOMING TRADE MISSIONS) TO FURTHER THIS EFFORT. HAMDAN RESPONDED NOTING CONFIDENTIAL

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THAT SUCCESS OF U.S. EXPORTS DEPENDS ON COMPETITIVENESS, DELIVERY DATES AND SUITABILITY. UAEG WITH FREE ENTERPRISE SYSTEM COULD NOT SET TRADE TARGET, BUT IT CERTAINLY EXPECTED TRADE TO EXPAND--U.S. EXPORTS SHOULD RISE TO OVER 20 PERCENT OF UAE TOTAL IMPORTS. DELIVERY DATES AND MAINTENANCE WERE KEYS, HAMDAN NOTED--AND HE SAID U.S. DOING WELL IN THESE AREAS AT SAME TIME EUROPEANS SLIPPING. REED MENTIONED OUR CONCERN THAT WHEN U.S.BIDS COME IN HIGH UAEG NOT THINK U.S. FIRMS BEING FRIVOLOUS--OUR FIRMS MAKING BEST EFFORTS AND SOMETIMES DO NOT UNDERSTAND HOW OTHERS CAN OFFER PRICES

AS LOW AS THEY DO. SECRETARY SIMON WENT ON TO NOTE THAT WHILE WE MUST OBVIOUSLY BE COMPETITIVE, WE HAVE HEARD CASES WHERE OTHERS WILL DELIBERATELY BID LOW WITH IDEA OF SUBSEQUENT ADJUSTMENT. HE URGED UAEG TO KEEP EYE OUT FOR SUCH PRACTICES.

9. JOINT STATEMENT--PARSKY, NOTING THAT WE HOPED TO BE ABLE TO ISSUE JOINT STATEMENT REFLECTING RESULTS OF SECRETARY'S VISIT, SAID U.S. SIDE WOULD OF COURSE BE WILLING TO ADD OR EXPAND IN EXISTING DRAFT ON ANY POINTS DISCUSSED DURING GROUP MEETING. HE NOTED SPECIFICALLY THAT UAEG SIDE MIGHT WISH CONSIDER SOME REFERENCE TO ONGOING RELATIONSHIP--E.G. SOME FORM OF COMMITTEE OF MORE INFORMAL NATURE. THIS WOULD DEMONSTRATE "SPECIAL REALTIONSHIP" REXISTING BETWEEN TWO COUNTRIES. UAE SIDE EXPRESSED SOMECINTEREST IN THIS AND SUGGESTED FURTHER DISCUSSION AFTER LUNCH. THERE WAS ALSO BRIEF INTERCHANGE BETWEEN PARSKY AND ZAKI RE SOME FORM OF SPECIFIC ARRANGEMENT FOR REVIEWING POSSIBLE THIRD COUNTRY INVESTMENT PROJECTS (E.G. SUCH AS LIST OF PROJECTS UNDER CONSIDERATION WHICH WORLD BANK SENDS TO UAEG ON REGULAR BASIS FOR REVIEW). (NOTE: NEITHER OF THESE POINTS MADE FINAL COMMUNIQUE, BUT THERE WAS NEVERTHELESS DEFINITE INTEREST IN THEM AND THEY ARE WORTHY OF FURTHER EXPLORATION UNDER CONDITIONS WHERE PRESSURE FOR EARLY DECISION AND PUBLIC COMMITMENT DOES NOT EXIST.)
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